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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking
Regarding Microgrids Pursuant to
Senate Bill 1339 and Resiliency
Strategies.

Filed September 12, 2019
Rulemaking 19-09-009

**PLACER COUNTY AIR POLLUTION CONTROL DISTRICT REPLY COMMENTS ON THE
TRACK 2 MICROGRID AND RESILIENCY STRATEGIES STAFF PROPOSAL**

Submitted by Christiana Darlington
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Introduction

The Placer County Air Pollution Control District submits these Reply Comments on the Track 2 Microgrid and Resiliency Strategies Staff Proposal in accordance with the Administrative Law Judge's Ruling of July 24, 2020. The District is one of thirty five air districts in California, which are governed by Health and Safety Code 42000 et seq and have independent jurisdiction over many aspects of air quality within the state, including regulatory authority over microgrid development. New microgrid projects must obtain a permit from their local air district to construct a facility. While each air district is unique, Placer District's perspective is most likely similar to other medium and small sized air districts located in rural California.

As mentioned by Rural County Representatives of California, or RCRC,¹ 30 of the states' counties have a population less than 200,000, and a median income much less than the state average. Placer is a very unique county, with its western portion more urbanized, and its eastern portion rural, forested community. Half of Placer County is in forested terrain. The District has a long history of supporting fuel reduction activities and has recently approved its Forest Health Policy Platform that includes specific direction from our Board, comprised of members from the eight cities and the County of Placer, to participate in this proceeding.

As directed by Judge Rizzo within the August 25 workshop in diesel alternatives for backup generation, the District will refrain from commenting on the alternatives for clean and renewable alternatives that are readily available for back up generation for PSPS through microgrids until the Judge opens that line of inquiry. Meanwhile, the District now comments on the staff proposal.

Reply Comments of the District

While the separate and independent line of inquiry about back up generation is beginning, this proposal should go beyond PSPS scenarios and consider microgrids for broader application to help "vulnerable populations" to "Increase electricity reliability and resiliency for critical public facilities in communities that 1) are at higher risk of electrical outages in the next five-years and 2) have a lower historical level of electric reliability."² The District strongly supports this goal.

In general, the District supports the comments filed in this proceeding from the Community Choice Aggregators, The Rural County Representatives of California, and the Bioenergy Association of California, along with many others, that emphasized a need to move beyond pilot projects, broaden the use of a microgrid tariff, expand Rule 18 and 19 to the fullest extent possible under PUC Section 218, and make changes to Rule 2 that go beyond the narrow subset of customer-sited, IOU operated, microgrids.. While the following comments focus on

¹ See RCRC Comments Page

² Staff Workshop slide August 5

these four issues, is the District supports BAC's request to integrate information from other related CPUC proceedings, and hopes staff from related proceedings communicate and share information and ideas.

A. Rule 2 Revisions

The District agrees with the CCA comments that adding microgrids to the definition of "special facilities" is a positive step towards the deployment of microgrids, and encourages the Commission to also review Rule 2's financing and O&M Rules to help facilitate development. It was clear from the August 5 workshop that staff were concerned about the the legitimate concern that micorgrids will be run by competent entities. However, restricting improvements to Rule 2 to only customer-sited, IOU-controlled facilities is too limiting. Revisions to Rule 2 should broadly allow other entities seeking to manage a microgrid to benefit. Surely there are rules elsewhere to ensure the quality of microgrid managers. These revisions to current Rules help the Commission fully implement SB 1339, and are not the place to impose safety related approaches, which should be in other regulations.

B. Rule 18 and 19 Revisions

The District agrees with several parties that changes to Rules 18 and 19 should allow, to the fullest extent, development of microgrids consistent with PUC Code Section 218. Restricting the use of microgrids to critical facilities is too limiting, and negatively impacts the commercial viability of these systems. Prioritizing certain facilities may be warranted, but certainly not a limitation. Another limitation proposed by the Commission which is of particular note is the limitation to Municipal Corporations. Other non-municipal corporation entities could adequately operate a microgrid. As mentioned above, the place to regulate the *quality* of a microgrid operator is not within this particular Rule Set. Instead, the task at hand here is the successful deployment of financially stable, long term microgrid facilities that provide grid hardening and improvements to the infrastructure of California, and do not adversely effect public health or the environment. Unnecessary restrictions related to municipal corporations and "critical facilities" should be removed.

C. New Microgrid tariffs

The amount of detail and options described in the staff proposal is encouraging. The District generally supports Option One, which allows for NEM eligible microgrids to export with no restriction and no cap on enrollment. One alternative option that the District suggests is that the Commission could phase out the exemption from cost responsibility surcharges over several years -allowing early developers to benefit from this exemption, and encouraging later projects incorporate those costs into their business plans. A hybrid of Option One and Four could be a viable approach allowing for the maximum deployment of microgrids in the short term, with an expectation of economy of scale over time- leading to lower cost for the ratepayers.

The District also encourages the CPUC to consider the application of the tariff to all potential microgrid operators within its jurisdiction, not only microgrids run by IOUS., This will allow for more innovative approaches, especially in rural California where this grid resiliency is needed most.

D. The Pilot Program Proposal

The Commission should find avenues to support more generally microgrid deployment across the state. As many parties have stated, there is no need to use a pilot project model for current microgrid projects using commercially viable energy storage and RNG or solar powered systems. The Commission should consider tools to broadly support microgrid development, without caps on project numbers or MW restrictions. The Commission can conduct a cost analysis once a certain number of projects are built, but this should not “pause” project development. Clearly the Commission can assess success without shutting down development, which would frustrate the purpose of SB 1339.

Assuming the Commission moves beyond a pilot project model for microgrids, the Commission could support pilot projects using hydrogen or other emerging technologies in partnership with the California Energy Commission The Agencies could support technology projects through the pilot program that provide long-duration energy storage from renewable resources, and baseload or flexible generation power; all of which are needed for microgrids to be truly reliable, resilient, and longer lasting.

However the Commission moves forward, the District would like emphasize the point that project prioritization should *not* be based on Cal EnviroScreen which relies heavily on population density. The result is that many rural communities experiencing the biggest impact from grid instability and PSPS events are excluded due to lower population density. Please consider the comments by RCRC when determining how to assess community preference.

Conclusion

The District again highlights that, to satisfy SB 1339, the Commission should 1) support the general deployment of microgrids, 2) support pilot projects using hydrogen, 3) broaden the use of a microgrid tariff, 4) expand Rule 18 and 19 to the fullest extent possible under PUC Section 218, and 5) make changes to Rule 2 that go beyond the narrow subset of microgrids that are customer-sited and operated by an IOU. The District appreciates the opportunity to submit these reply comments, and looks forward to more opportunities to participate in this proceeding.

DATED: August 28, 2020

Respectfully submitted,

/s/ Christiana Darlington

VERIFICATION

I am a representative of the non-profit organization herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and, as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 28th day of August, 2020, in Rocklin, California.

/s/ Christiana Darlington

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